

July 15, 2004

Legislative Audit Commission
622 Stratton Office Building
Springfield, IL 62706

Dear Members:

In accordance with section 3-15 of the Illinois State Auditing Act (30 ILCS 5/3-15), I hereby submit the report on the operations of the Office of the Auditor General for the fourth quarter of Fiscal Year 2004 ending June 30, 2004.

FISCAL MATTERS

<i>FY 2004 – FOURTH QUARTER</i>				
	<i>Appropriation</i>	<i>Expended</i>	<i>Obligated</i>	<i>Balance</i>
Personal Services	\$ 3,976,000	\$ 3,655,200	\$ 0	\$ 320,800
Employee Retire. (Employer)	159,000	136,695	0	22,305
State Retirement	534,300	344,966	0	189,334
Social Security	304,200	269,438	0	34,762
Contractual Services	580,768	504,167	5,620	70,981
Travel	88,000	47,775	0	40,225
Commodities	20,000	11,646	0	8,354
Printing	22,000	16,144	0	5,856
Equipment	122,532	35,301	77,532	9,699
EDP	82,000	63,210	310	18,480
Telecommunications	75,000	53,510	0	21,490
Oper. of Auto. Equip.	5,000	3,196	0	1,804
Audits/Studies/Invest.*	<u>14,123,715</u>	<u>8,763,829</u>	<u>3,575,963</u>	<u>1,783,923</u>
TOTAL	<u>\$20,092,515</u>	<u>\$13,905,077</u>	<u>\$3,659,425</u>	<u>\$2,528,013</u>
*Audit Expense Fund				

PERSONNEL

<i>PERSONNEL</i>					
	<i><u>04-01-04</u></i>	<i><u>Appointments</u></i>	<i><u>Separations</u></i>	<i><u>Transfers</u></i>	<i><u>06-30-04</u></i>
Springfield	66	2	3	0	65
Chicago	<u>06</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>06</u>
TOTAL	<u>72</u>	<u>2</u>	<u>3</u>	<u>0</u>	<u>71</u>

CONTRACTS

During the fourth quarter of Fiscal Year 2004 the Office of the Auditor General entered into ninety-six financial/compliance audit contracts, 26 performance audit contracts, one information systems audit contract and one administration contract.

TRAINING

During the fourth quarter of 2004, OAG-sponsored training included:

- GASB Service Efforts and Accomplishments Overview (CD)
- Ethics and Sexual Harassment Prevention
- The CPA Report (Volume 03, #2 and Volume 04, #1)
- 2004 Governmental Auditing Update
- Governmental Accounting and Statement Analysis
- Strategic Management

Additional external-sponsored training in which staff participated included:

- Human Resource Challenges in a Changing Accounting World
- Wireless Security- The Audit
- PKI Security
- Midwestern Intergovernmental Audit Forum
- 2004 NSAA Annual Conference

PERFORMANCE AUDITS

<i>PERFORMANCE AUDITS IN PROGRESS</i>
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<i>AUDITS</i>	<i>ESTIMATED RELEASE DATE</i>
<ul style="list-style-type: none">• Financial, Management, and Program Audit of Rend Lake Conservancy District (<i>PA 93-275</i>)	Summer 2004
<ul style="list-style-type: none">• Management Audit of the Illinois Aquaculture Development Fund (<i>LAC No. 127</i>)	Summer 2004
<ul style="list-style-type: none">• Financial, Compliance, and Program Audit: The Village of Robbins' Use of Municipal Economic Development Funds (<i>PA 90-813</i>)	Summer 2004
<ul style="list-style-type: none">• Program Audit: Department of Human Services, Office of Inspector General (<i>PA 93-636</i>)	Fall 2004
<ul style="list-style-type: none">• Management Audit of the Illinois School District Liquid Asset Fund Plus (<i>Senate Resolution No. 171</i>)	Spring 2005
<ul style="list-style-type: none">• Management and Program Audit of Department of Commerce and Economic Opportunity's Administration of its Economic Development Programs (<i>House Resolution No. 671</i>)	Summer 2005

REGIONAL OFFICES OF EDUCATION AUDITS

Public Act 92-544, effective June 12, 2002, gave the Office of the Auditor General the responsibility for the conduct of annual audits of the financial statements of all accounts, funds and other moneys in the care, custody or control of the regional superintendent of schools of each educational service region in the State. Previously, these audits were the responsibility of the Illinois State Board of Education. There are 48 total audits to perform; 45 are of Regional Offices of Education and 3 are of Intermediate Service Centers. As of June 30, 2004, 43 of the 48 fiscal year 2003 audits had been released.

FINANCIAL & COMPLIANCE AUDITS

The following is a listing of financial and compliance audits for the period(s) ending June 30, 2003, September 30, 2003, December 31, 2003, and April 30, 2004. As the year progresses the “date released” column will be completed.

***FINANCIAL & COMPLIANCE AUDITS
FOR THE PERIOD(S) ENDING JUNE 30, 2003,
SEPTEMBER 30, 2003, DECEMBER 31, 2003,
AND APRIL 30, 2004***

F = Financial

C = Compliance

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Alton Mental Health Center		x	05-20-04
Arts Council and Foundation	x	x	04-06-04
Attorney Registration and Disciplinary Commission	x	x	05-12-04
Board of Admissions to the Bar	x	x	04-15-04
Board of Higher Education		x	04-20-04
Capital Development Board	x		02-18-04
Center for Rehabilitation and Education		x	05-20-04
Chester Mental Health Center		x	05-20-04
Chicago Read Mental Health Center		x	05-20-04
Chicago State University	x	x	03-02-04
Chicago State University Foundation	x	x	03-02-04
Choate Mental Health Center		x	05-20-04
Civil Service Commission		x	02-18-04
Commission on Intergovernmental Cooperation		x	05-13-04
Comptroller – Fiscal Officer	x	x	05-12-04
Correctional Industries	x		03-02-04
Court of Claims		x	03-02-04
Criminal Justice Information Authority		x	02-26-04
DCMS – Deferred Compensation Plan – 12/31/03			
Deaf and Hard of Hearing Commission		x	03-02-04

FINANCIAL & COMPLIANCE AUDITS

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Department of Agriculture	x	x	04-20-04
Department of Central Management Services	x		03-02-04
Department of Children and Family Services	x	x	04-20-04
Department of Employment Security	x	x	04-06-04
Department of Human Rights		x	04-06-04
Department of Human Services – Central Office	x	x	05-20-04
Department of Insurance	x	x	03-04-04
Department of Labor		x	03-18-04
Department of Lottery	x	x	03-04-04
Department of Nuclear Safety		x	04-06-04
Department of Professional Regulation			
Department of Public Aid	x	x	04-15-04
Department of Public Health		x	03-02-04
Department of Revenue	x	x	04-27-04
Department of Transportation	x	x	04-13-04
Drycleaner Environmental Restoration Trust Fund Council		x	03-18-04
DuPage Water Commission (04/30/04)			
DuQuoin State Fair (09/30/03)	x	x	04-20-04
Eastern Illinois University	x	x	03-30-04
Eastern Illinois University Alumni Association	x	x	03-30-04
Eastern Illinois University Foundation	x	x	03-30-04
Economic and Fiscal Commission		x	05-13-04
Educational Labor Relations Board		x	02-24-04
Elgin Mental Health Center		x	05-20-04
Emergency Management Agency		x	04-27-04
Fox Developmental Center		x	05-20-04
General Assembly – Senate and House		x	05-13-04
General Assembly Retirement System	x		02-10-04
General Assembly Retirement System		x	03-11-04

FINANCIAL & COMPLIANCE AUDITS

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Governors Commission on the Status of Women		x	04-15-04
Governors Office of Management and Budget	x	x	05-12-04
Governors State University	x	x	02-24-04
Governors State University Alumni Association	x	x	02-24-04
Governors State University Foundation	x	x	02-24-04
Guardianship and Advocacy Commission	x	x	02-18-04
High School Association		x	04-13-04
Housing Development Authority	x	x	06-08-04
Howe Developmental Center		x	05-20-04
Human Rights Commission		x	02-26-04
Illinois Building Commission		x	02-26-04
Illinois Commerce Commission		x	03-09-04
Illinois Conservation Foundation	x	x	03-30-04
Illinois Council on Developmental Disabilities		x	02-24-04
Illinois Developmental Finance Authority (06/30/03)	x	x	02-26-04
Illinois Developmental Finance Authority (12/31/03)			
Illinois Educational Facilities Authority (06/30/03)	x	x	03-09-04
Illinois Educational Facilities Authority (12/31/03)			
Illinois Environmental Protection Agency	x		03-04-04
Illinois Farm Development Authority (06/30/03)	x	x	03-09-04
Illinois Farm Development Authority (12/31/03)			
Illinois Gaming Board		x	04-27-04
Illinois Grain Insurance Corporation	x	x	03-30-04
Illinois Health Facilities Authority (06/30/03)	x	x	02-24-04
Illinois Health Facilities Authority (12/31/03)			
Illinois Labor Relations Board		x	02-18-04
Illinois Liquor Control Commission		x	03-02-04
Illinois Math and Science Academy and Fund	x	x	02-26-04
Illinois Petroleum Resources Board		x	04-15-04

FINANCIAL & COMPLIANCE AUDITS

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Illinois Racing Board		x	03-02-04
Illinois Rural Bond Bank (06/30/03)	x	x	03-09-04
Illinois Rural Bond Bank (12/31/03)			
Illinois Sports Facilities Authority (09/30/03)			
Illinois State Fair (09/30/03)	x	x	04-20-04
Illinois State University	x	x	03-09-04
Illinois State University Foundation	x		01-28-04
Illinois Student Assistance Commission	x	x	04-13-04
Illinois Student Assistance Commission – IDAPP and Prepaid Tuition	x		04-13-04
Illinois Supreme Court		x	05-06-04
Industrial Commission	x	x	04-06-4
Jacksonville Developmental Center		x	05-20-04
Judges Retirement System	x		02-10-04
Judges Retirement System		x	03-11-04
Kankakee River Valley Area Airport Authority	x	x	04-13-04
Kiley Developmental Center		x	05-20-04
Legislative Audit Commission		x	05-13-04
Legislative Printing Unit		x	05-13-04
Legislative Reference Bureau		x	05-13-04
Legislative Research Unit		x	05-13-04
Lincoln Developmental Center		x	05-20-04
Literacy Foundation	x	x	05-06-04
Ludeman Developmental Center		x	05-20-04
Mabley Developmental Center		x	05-20-04
Madden Mental Health Center		x	05-20-04
McFarland Mental Health Center		x	05-20-04
Metro. Pier and Exposition Authority		x	04-27-04
Murray Developmental Center		x	05-20-04

FINANCIAL & COMPLIANCE AUDITS

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
Northeastern Illinois University	x	x	02-24-04
Northeastern Illinois University Foundation	x	x	02-24-04
Northern Illinois University	x	x	02-26-04
Northern Illinois University Alumni Association	x		01-28-04
Northern Illinois University Foundation	x		01-28-04
Office of the Governor		x	05-06-04
Office of the Lieutenant Governor		x	05-06-04
Pension Laws Commission		x	05-13-04
Prairie State 2000 Authority	x	x	02-18-04
Rend Lake Conservancy District (04/30/04)			
School for the Deaf		x	05-20-04
School for the Visually Impaired		x	05-20-04
Secretary of State	x	x	05-06-04
Shapiro Developmental Center		x	05-20-04
Singer Mental Health and Developmental Center		x	05-20-04
Southern Illinois University	x	x	03-24-04
Southern Illinois University Carbondale – Alumni Assoc.	x	x	03-24-04
Southern Illinois University Carbondale – Foundation	x	x	03-24-04
Southern Illinois University Carondale Foundation – Evergreen Terrace	x	x	03-24-04
Southern Illinois Univ. Edwardsville – Alumni Assoc.	x	x	03-24-04
Southern Illinois University Edwardsville – Foundation	x	x	03-24-04
Southern Illinois University Physicians and Surgeons	x	x	03-24-04
Southern Illinois University Research Park	x	x	03-24-04
Southern Illinois University – University Park	x	x	03-24-04
Space Needs Commission		x	05-13-04
State Board of Education	x	x	03-30-04
State Board of Elections		x	03-30-04
State Board of Investment	x		02-10-04

FINANCIAL & COMPLIANCE AUDITS

<i>AGENCY</i>	<i>F</i>	<i>C</i>	<i>DATE RELEASED</i>
State Board of Investment		x	03-11-04
State Employees' Retirement System	x		02-10-04
State Employees' Retirement System		x	03-11-04
State Universities Retirement System	x		02-10-04
State Universities Retirement System		x	03-11-04
Statewide Single Audit			
Summer School for the Arts		x	02-18-04
Teachers' Retirement System	x		02-10-04
Teachers' Retirement System		x	03-11-04
Teachers' Pension and Retirement System – Chicago		x	04-13-04
Tinley Park Mental Health Center		x	05-20-04
Toll Highway Authority			
Treasurer – Bright Start College Savings Program	x		02-18-04
Treasurer – Fiscal Officer	x	x	05-06-04
Treasurer – Illinois Funds	x		02-18-04
Treasurer – Non-fiscal officer	x	x	05-06-04
Universities Civil Service Commission		x	04-06-04
University of Illinois	x	x	03-18-04
University of Illinois Alumni Association	x		01-28-04
University of Illinois Foundation	x		01-28-04
University of Illinois – Prairieland Energy, Inc.	x		01-28-04
University of Illinois - -Research Park LLC	x		01-28-04
University of Illinois – Ventures LLC	x		01-28-04
University of Illinois – Wolcott Wood & Taylor, Inc.	x		01-28-04
Western Illinois University	x	x	03-04-04
Western Illinois University Foundation	x	x	03-04-04
Zeller Mental Health Center		x	05-20-04

INFORMATION SYSTEMS AUDITS

These audits are components of each agency's regularly scheduled financial and compliance audit for the period ending June 30, 2003.

<i>INFORMATION SYSTEMS AUDITS AUDITS INITIATED AND/OR COMPLETED IN FISCAL YEAR 2004</i>	
•	Department of Agriculture
•	Department of Central Management Services – BCCS 3 rd Party Review
•	Department of Employment Security
•	Department of Human Services
•	Department of Professional Regulation
•	Department of Public Aid
•	Department of Revenue
•	Department of Transportation
•	Governors State University
•	Illinois Commerce Commission
•	Illinois Criminal Justice Information Authority
•	Illinois Industrial Commission
•	Illinois State University
•	Illinois Student Assistance Commission
•	Illinois Supreme Court
•	Office of the Comptroller
•	State Board of Elections
•	State Universities Retirement System of Illinois
•	University of Illinois

EMERGENCY PURCHASES

The Illinois Procurement Code requires agencies expending funds in an emergency to file an affidavit with the Auditor General within 10 days after the procurement, setting forth the amount expended, the name of the contractor, and the circumstances requiring the emergency purchase. The Auditor General, in turn, is required to file a quarterly report with the Commission and the Governor setting forth a complete listing of all emergency purchases reported during that quarter. The latest report is for the fourth quarter of Fiscal Year 2004 and it contains sixty-one filings with this Office.

CONTRACTUAL SERVICES CERTIFICATIONS

Pursuant to the requirements of the State Finance Act at 30 ILCS 105/15a, State agencies must file a certification with the Auditor General prior to the execution of any contract with a former employee who took an early retirement incentive. The certification must state that the former employee either possesses unique expertise or is essential to the operation of the agency.

During the fourth quarter of Fiscal Year 2004, the Auditor General did not receive any new contractual services certifications.

Copies of certifications received in previous quarters are on file in our Office.

AUDITOR GENERAL'S OFFICE RECEIVES AWARDS

The Auditor General's Office was recently awarded the first-ever Excellence in Accountability Award by the National State Auditors Association (NSAA) for our *Management Audit of the Illinois State Toll Highway Authority*. The award was presented to the Office at NSAA's annual conference in June. NSAA established the Excellence in Accountability Awards Program last year to recognize outstanding performance audits and special projects. The Office's report was one of two winning entries selected from sixteen submissions by audit organizations across the nation.

Also in June, the National Conference of State Legislatures' National Legislative Program Evaluation Society (NLPES) presented the Auditor General's Office with a Certificate of Recognition of Impact for our *Management Audit of the Illinois State Toll Highway Authority*. The NLPES award recognizes reports having a positive impact on public policy, for instance by resulting in dollar savings, program improvements or legislative changes.

The Management Audit of the Illinois State Toll Highway Authority was conducted

pursuant to Senate Joint Resolution Number 72. Released in May 2003, the report contains 23 recommendations to improve the management of the Illinois State Toll Highway Authority.

Yours truly,

WILLIAM G. HOLLAND
Auditor General